

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

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In the Matter of)

McCaw Cellular Communications, Inc. Petition)
for Rule Making; Amendment of Part 101 of the)
Commission's Rules to Streamline Processing)
of Microwave Applications in the Wireless)
Telecommunications Services;)
Telecommunications Industry Association)
Petition for Rulemaking)

WT Docket No. 00-19
RM-9418

COMMENTS OF STRATOS OFFSHORE SERVICES COMPANY

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SUMMARY

Stratos Offshore Services Company ("Stratos Offshore") hereby files these comments in the above-captioned proceeding concerning proposed changes to Part 101 of the Commission's Rules for licensing microwave systems. Stratos Offshore recently acquired the microwave network of Shell Offshore Services Company ("SOSCo"). This microwave network supports communications in the Gulf of Mexico ("GOM"), primarily to customers in the oil and gas industry. Stratos Offshore provides critical communications capacity for oil and gas companies operating in the GOM, and these customers rely upon Stratos Offshore for communications that not only contribute to the companies' core business, but in addition, ensure the safety of their workers and the environment. Accordingly, Stratos Offshore has a direct interest in this proceeding.

Stratos Offshore is very concerned with the proposals set forth by the Commission to change the licensing process for microwave applicants. The proposals set forth by the Commission have the potential of disrupting the vital communications used by major industries throughout the U.S., including the oil and gas industry, transportation industry, electric utility industry and others that rely upon microwave services to provide "mission critical" communications. Not only would the Commission's proposals disrupt communications, but their implementation would devalue and decrease the effectiveness of the major investments of capital and infrastructure that have been made by the various industries and communications companies, like Stratos Offshore. This disruption and waste of resources is not in the public interest.

The Commission's proposals are particularly problematic since there has not been an adequate demonstration of mutual exclusivity in the bands above 2 GHz which would warrant a change in the Commission's Rules to accommodate auctions and wide-area geographic licenses. To the contrary, the Commission acknowledges that the current site-by-site licensing process with frequency coordination has significantly reduced mutual exclusivity. If the spectrum allocation process is working then the Commission should refrain from doing anything that could jeopardize this success. The Balanced Budget Act does not require anything more. Indeed, in the absence of *mutually exclusive* applications for *initial* licenses, competitive bidding is not required.

To the extent, however, that the Commission believes that a change to its licensing rules is necessary, it should adopt its proposal to retain site-by-site licensing for the microwave spectrum above 2 GHz and only conduct auctions in the presence of mutual exclusivity. This proposal is consistent with the Balanced Budget Act and it minimizes the disruption to the communications services of incumbent microwave licensees.

The other options under consideration are not workable. Indeed, they are not required under the Balanced Budget Act which contemplates competitive bidding only with mutually exclusive applications for initial licenses. Further, the nature of the oil and gas industry, as well as the other industries mentioned above, is that their microwave communications needs are site-specific and constantly changing and expanding. Accordingly, any proposal under consideration by the Commission that would freeze incumbent licensees into their current area of operation in favor of a

subsequent geographic licensee is tantamount to putting the current licensees and their communications systems out of business and operation – an unacceptable result that has far reaching economic effects.

Similarly, relocation and sharing are not viable options to consider for licensing microwave systems above 2 GHz. Relocating users to other spectrum is not viable because it is unclear where the Commission can move these users. In addition, it has the potential to waste resources since it will make systems and equipment obsolete, or at a minimum, require costly modifications to already deployed equipment. Requiring incumbent licensees to share spectrum with satellite services also presents a problem because as satellite becomes more widely deployed it will become more difficult to coordinate and operate without interference.

Stratos Offshore believes that the only viable option is for the Commission to retain site-by-site licensing for microwave applications and conduct auctions only when there is mutual exclusivity. This approach is consistent with the Balanced Budget Act, will not disrupt vital incumbent uses of the microwave spectrum, and ensures that incumbent licensees have the ability to expand their systems. To the extent that mutually exclusive applications are submitted to use the same microwave spectrum in a particular location, the Commission can then conduct an auction.

On a separate issue, Stratos Offshore supports the Commission's *proposal to allow private operational fixed service ("POFS") licensees to use their excess capacity to carry common carrier traffic. Providing POFS licensees this flexibility will encourage more efficient use of spectral resources – a result that is in the public interest.*

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Stratos Offshore Services Company ("Stratos Offshore") hereby files these comments in the above-captioned proceeding concerning proposed changes to Part 101 of the Commission's Rules for licensing microwave systems.¹ Stratos Offshore recently acquired the microwave network of Shell Offshore Services Company ("SOSCo").² This microwave network supports communications in the Gulf of Mexico

¹ In the Matter of Reorganization and Revision of Parts 1, 2, 21, and 94 of the Rules to Establish a New Part 101 Governing Terrestrial Microwave Fixed Radio Services; Amendment of Part 21 of the Commission's Rules for the Domestic Public Fixed Radio Services; McCaw Cellular Communications, Inc. Petition for Rulemaking; Amendment of Part 101 of the Commission's Rules to Streamline Processing of Microwave Applications in the Wireless Telecommunications Services; Telecommunications Industry Association Petition for Rulemaking, FCC 00-33 (rel. Feb. 14, 2000) ("Microwave NPRM").

² See Wireless Telecommunications Bureau Assignment of Authorization and Transfer of Control Applications Action, Report No. 474 (March 8, 2000). In addition, Stratos Offshore has a pending assignment application to acquire the telecommunications assets of Rig Telephones, Inc. d/b/a Datacom ("Datacom"),

(Continued ...)

("GOM"), primarily to customers in the oil and gas industry. Stratos Offshore provides critical communications capacity for oil and gas companies operating in the GOM, and these customers rely upon Stratos Offshore for communications that not only contribute to the companies' core business, but in addition, ensure the safety of their workers and the environment. Accordingly, Stratos Offshore has a direct interest in this proceeding.

Stratos Offshore is very concerned with the proposals set forth by the Commission to change the licensing process for microwave applicants. The proposals have the potential of disrupting the vital communications used by major industries throughout the U.S., including the oil and gas industry, transportation industry, electric utility industry and others that rely upon microwave services to provide "mission critical" communications.

Stratos Offshore believes that the current licensing process is working and the Commission should refrain from doing anything that could jeopardize this success. To the extent that the Commission believes that a change is necessary, Stratos Offshore believes that the only viable option is for the Commission to retain site-by-site licensing for microwave applications and conduct auctions only when there is mutual exclusivity. This approach is consistent with the Balanced Budget Act, will not disrupt vital incumbent uses of the microwave spectrum, and ensures that incumbent licensees have the ability to expand their systems.

including microwave licenses held by Datacom. See Application of Rig Telephones, Inc. d/b/a Datacom, and Stratos Offshore Services Company For Assignment of Fixed Point-to-Point Microwave Service Authorizations, File No. 0000100503.

On a separate issue, Stratos Offshore supports the Commission's proposal to allow private operational fixed service ("POFS") licensees to use their excess capacity to carry common carrier traffic. Providing POFS licensees this flexibility will encourage more efficient use of spectral resources – a result that is in the public interest.

I. ANY CHANGES TO LICENSING MICROWAVE SYSTEMS ABOVE 2 GHZ SHOULD NOT BE MADE TO THE DETRIMENT OF INCUMBENT LICENSEES

In the Microwave NPRM, the Commission seeks comment on whether it should adjust its Part 101 licensing rules to accommodate the increased demand for above 2 GHz spectrum by emerging technologies.³ Stratos Offshore agrees with the Commission that the spectrum above 2 GHz is valuable and in demand. However, Stratos Offshore disagrees that auctions are required or even necessary under the current circumstances, and it believes that any approach to licensing that would somehow displace or impair the operations of current incumbent licensees would not be in the public interest. The Commission should retain its current site-by-site licensing approach for bands above 2 GHz, and only conduct auctions when confronted with mutually exclusive applications for initial licenses.

A. The Commission Should Refrain From Any Action That Disrupts Microwave Communications Above 2 GHz

Microwave communications are relied upon by a variety of industries, including oil and gas, transportation and electric utility, to provide communications that

³ Microwave NPRM at ¶ 75.

help to further the core businesses of these industries, as well as maintain the health and safety of their workers. For example, Stratos Offshore controls an extensive microwave network that allows oil and gas companies to communicate with numerous workers operating on oil and gas rigs in the GOM. Stratos Offshore's microwave communications links also allow these companies to accurately monitor the production of oil and gas in the GOM and its distribution to the mainland U.S.

The GOM is a harsh and unstable working environment where quick changes in weather can severely disrupt oil and gas operations, as well as increase the risk of harm to workers, equipment and the environment. Accordingly, the ability for industries in the GOM to communicate with onshore points is critical, and thus, microwave communications, provided by companies like Stratos Offshore, Sola Communications, CapRock Communications, and AutoComm, as well as by the oil and gas companies themselves, are vital to oil and gas production in the GOM. Microwave licenses are similarly utilized by members of the electric utility and transportation industry to enhance their business operations and maintain the safety of their workers. As a result, the Commission should take any steps to change microwave licensing very carefully and ensure that the incumbent systems are not disrupted or impaired in any way.

B. Auctions Are Not Necessary in the Bands Above 2 GHz

In response to the Balanced Budget Act of 1997 ("Balanced Budget Act") and its requirements for auctioning of spectrum, the Commission has proposed four options (which would revise the current licensing rules to incorporate auctions) to

address the increased need for spectrum in the microwave bands above 2 GHz.⁴ While Stratos Offshore understands the Commission's desire to comply with the mandate of the Balanced Budget Act, the Commission should not do so prematurely. Indeed, as the Commission recognizes, the Balanced Budget Act amendment to part 309(j) of the Communications Act:

provides that all *mutually exclusive applications for initial licenses or construction permits* shall be auctioned except licenses and construction permits for public safety radio services, digital television service for existing analog television licensees, and noncommercial educational radio and television stations.⁵

Thus, the statutory precondition for auctions is that there be "mutually exclusive applications for initial licenses or construction permits." With site-by-site microwave licensing that incorporates prior frequency coordination, mutually exclusive applications are not sufficiently prevalent so as to justify auctions – a fact that the Commission acknowledges:

Currently, we license this spectrum by channel or channels and site-by-site. Applicants are responsible for coordinating interference issues prior to filing a license application. *Therefore, under the current licensing scheme, mutually exclusive situations rarely, if ever, occur.*⁶

If mutually exclusive situations "rarely, if ever, occur," auctions, and a corresponding revision to the microwave rules, do not make sense and would be contrary to the

⁴ Microwave NPRM at ¶ 77.

⁵ Id. at ¶ 74.

⁶ Id. at ¶ 75.

statute. A radical restructuring of the microwave licensing rules for all bands above 2 GHz is not warranted without a demonstration that the bands above 2 GHz face mutual exclusivity for initial microwave licenses. In the absence of such a demonstration, the Commission should not institute auctions in the bands above 2 GHz.

For microwave systems like the one operated by Stratos Offshore, and others in the GOM, that contain numerous "intermediate links" (i.e., links that are used by a service provider as part of a service offering, but not one on which subscribers directly send or receive communications signals), the Commission has already acknowledged that auctions should not be instituted. The Commission stated:

As to mutual exclusivity, we note that on those types of frequencies most often utilized as intermediate links, mutual exclusivity is very rare because of frequency coordination efforts made prior to the time an application is filed. . . . We are also concerned that auctioning intermediate links might lead to significant delays in the provision of services thus hindering the development and rapid deployment of new technologies, products and services for the benefit of the public.⁷

These same factors that militated against auctions for microwave services several years ago still apply today. Accordingly, the Commission should continue to refrain from instituting auctions for above 2 GHz microwave spectrum.

⁷ In the Matter of Implementation of 309(j) of the Communications Act – Competitive Bidding, 9 FCC Rcd. 2348, 2356 (1994).

C. The Commission Should Retain Site By Site Licensing for Microwave Licensees and Conduct Auctions Only Where There is Demonstrated Mutual Exclusivity

To incorporate auctions into the microwave licensing process in the bands above 2 GHz, the Commission has proposed four options: (1) license microwave spectrum on a geographic basis through the use of auctions and freeze incumbent licensees into their current service areas; (2) relocate incumbent licensees so that spectrum is free and clear for competitive bidding; (3) identify certain bands in which incumbents would retain co-primary status and other bands in which incumbents would have secondary status vis a vis new licensees that obtain their licenses pursuant to an auction; and (4) retain current site-by-site licensing and establish competitive bidding procedures to resolve mutually exclusive applications.⁸

As indicated above, auctions are not necessary in the bands above 2 GHz because mutually exclusive applications for initial licenses rarely exist. To the extent that the Commission disagrees, Stratos Offshore believes that the only acceptable way to introduce competitive bidding to the bands above 2 GHz is Option 4 because: (1) it complies with the threshold requirements under the Balanced Budget Act for instituting auctions; and (2) is least likely to disrupt communications and the business operations of incumbent licensees. The rule changes and auctions set forth in the other options do not comply with the threshold conditions under the Balanced Budget Act and are likely to cause significant service interruptions to incumbent licensees.

⁸ Microwave NPRM at ¶ 77.

1. Option 1

Under Option 1, the Commission would license microwave spectrum by auction on a geographic basis and incumbent licensees would not be permitted to expand their current service areas without the consent of the relevant geographic area licensee.⁹ The Commission should reject this option. Auctions are required in cases where *mutually exclusive applications exist for initial licenses*. As the Commission recognizes, however, mutually exclusive applications for initial licenses are a rare occurrence because of frequency coordination. The mutual exclusivity contemplated under this option is not between initial microwave applicants, but between a prior licensee and a subsequent applicant – not the criteria for competitive bidding under the Balanced Budget Act.

In addition, for an incumbent like Stratos Offshore, and oil and gas companies operating in the GOM that rely on Stratos Offshore or provide their own telecommunications services, Option 1 is not acceptable because it unreasonably restricts these companies from having the ability to make necessary modifications to their microwave networks to accommodate system backbone reroutes and the on-going needs of the oil and gas industry.

As discussed above, Stratos Offshore operates a microwave network in the GOM that consists of a 6 GHz microwave "backbone" ring with microwave links or "spurs" off the backbone to individual oil and gas platforms operating in the GOM. The microwave stations that make up the 6 GHz backbone are located on a series of

⁹ Id.

platforms in the GOM. As oil and gas companies periodically "shut down" their operations on some platforms, Stratos Offshore must relocate its microwave equipment to functioning platforms in order to keep the backbone microwave network in operation. Each occurrence results in the modification of multiple site-specific licenses. Accordingly, to the extent that a geographic licensee could restrict Stratos Offshore from making these geographic modifications, Stratos Offshore's backbone network would not be able to function – an unacceptable result with serious economic effects.

Further, Option 1 would impair Stratos Offshore, and other microwave licensees, from expanding their networks. To satisfy the needs of its oil and gas customers, Stratos Offshore is continually adding new spurs to reach oil and gas platforms that are constructed in the GOM. Under Option 1, the introduction of a geographic licensee, other than Stratos Offshore, would freeze Stratos Offshore to its current licensed locations thereby crippling its ability to accommodate the changing needs of its oil and gas customers. A similar crippling effect would be felt by the host of other communications companies operating in the GOM, and the individual oil and gas companies that have constructed their own microwave networks there. The inability to expand communications operations in an unfettered manner would be devastating to these businesses and significantly decrease the value and utility of the expensive communications networks that have been established – a waste of resources that is not *in the public interest*. Similar effects are likely to be felt in other industries, such as transportation and electric utility. These effects would transcend the telecommunications services relied upon by these industries and affect their core businesses as well.

In addition, industries such as oil and gas, transportation and electricity typically have very specific telecommunications needs in specific locations. As the core businesses change, their telecommunications needs expand geographically, but often the precise location for these expansions are not known well in advance of the actual expansion. This is particularly true in the GOM where oil and gas exploration is a transient operation that changes from month to month depending upon the success and/or failure of locating oil and gas. For these industries, a large geographic microwave license does not make economic sense because the licensee would be paying for the rights to use spectrum over a large geographic area that it is unsure it will ever use. With a site specific license, a company can pinpoint the precise areas *where* spectrum is needed and apply to use that spectrum *when* it is needed, as opposed to making the large upfront capital expenditure in an auction.

2. Option 2

In Option 2, the Commission proposes relocating incumbent licensees in an effort to clear the microwave bands for competitive bidding. This is problematic for at least three reasons. **First**, as set forth above, the competitive bidding under this option is not required under the Balanced Budget Act because the alleged mutual exclusivity is not the result of mutually exclusive applications for *initial licenses*.

Second, it is not clear where the Commission can locate the numerous microwave licensees operating above 2 GHz. The Commission itself admits that the microwave bands above 2 GHz are crowded.¹⁰ Significantly, incumbent microwave

¹⁰ Microwave NPRM at ¶ 75.

licensees operating in the 2 GHz band have not completed the process of relocating to other bands in order to accommodate PCS. To initiate further relocation would only be a further disruption to these microwave licensees.

Identifying spectrum for relocation will be particularly difficult for companies like Stratos Offshore. If Stratos Offshore is required to operate its network at spectrum above 6 GHz, the reliability of the network will be compromised. Indeed, at spectrum above 6 GHz, the effects of rain fade are pronounced, and the distance that the radio frequency signal can travel is necessarily shortened. Without significantly increasing power or constructing additional links for its networks, both of which adds significant cost to Stratos Offshore's operations, the reliability of Stratos Offshore's network will be effected. With the bands *below* 6 GHz crowded, it is not clear where the Commission can locate a company like Stratos Offshore without effecting the reliability of its network and/or significantly increasing the cost of its operations.

Third, relocation will waste the costly existing infrastructure already in place. In many cases, currently operating equipment will not be able to be adapted to operate at a different frequency, and therefore will be rendered obsolete. Even where equipment can be adapted to new spectrum, it will be very costly to make changes to the equipment. This is particularly true in the GOM where the harsh weather and water environment increases the cost of equipment modifications to many times that of land based modifications. For a company like Stratos Offshore, the cost of relocation will be significant since it controls hundreds of microwave licenses in the GOM. Combined with the numerous other licensees in the GOM, and the thousands of other microwave users across the country, spectrum relocation for above 2 GHz licenses is not a viable option.

Several years ago when microwave systems converted from analog to digital, the increased expense in converting equipment made technological sense and there were real benefits to customers. A similar technological need has not been articulated in the Microwave NPRM, and accordingly, relocation would only succeed in wasting the significant capital investments of numerous companies. In all likelihood, the equipment to be used by "emerging technologies" is likely to have the capability to operate in multiple bands. As a result, if there is to be any relocation, it should be "relocation" of the emerging technologies to bands that will not disrupt incumbent operations by microwave licensees and not the other way around.

3. Option 3

Stratos Offshore has serious concerns about the Commission's Option 3, which suggests sharing of spectrum above 2 GHz by two co-primary users, e.g., satellite and terrestrial microwave licensees.¹¹ Like options 1 and 2 discussed above, the proposed changes under Option 3 are not required under the Balanced Budget Act since there is no mutual exclusivity for initial microwave licensees. In addition, while terrestrial microwave licensees may be able to share with satellite earth stations that are deployed on a limited basis, the deployment of ubiquitous earth stations will complicate the coordination process, and Stratos Offshore believes that it will cause interference with its terrestrial network. In a recently released Report and Order concerning the 18 GHz band, the Commission acknowledged that ubiquitous deployment of satellite earth

¹¹ See Microwave NPRM at ¶ 77.

stations would cause problems for a terrestrial user in the same band, especially where there was an expected increase in the use of the 18 GHz band by both satellite and terrestrial users.¹² Similar problems of coordination and shared use will exist if the Commission designates the bands above 2 GHz for co-primary use by satellite and terrestrial users.

Coordination with mobile satellite earth stations presents its own unique difficulties since it makes it difficult, if not impossible, for a terrestrial licensee to know where the earth station will be at any given time. Ubiquitous deployment of mobile satellite earth stations only compounds the problem. Indeed, in an environment like the GOM where there are numerous shipping vessels that may want to use a mobile satellite technology, the likelihood of detrimental interference to Stratos Offshore's fixed microwave network is high if the two systems are operating in the same band. Without the ability to know where these mobile earth stations are at any given time, Stratos Offshore would not be able to "coordinate" around the problem of interference.

¹² See In the Matter of Redesignation of the 17.7-19.7 GHz Frequency Band, Blanket Licensing of Satellite Earth Stations in the 17.7-20.2 GHz and 27.5-30.0 GHz Frequency Bands, and the Allocation of Additional Spectrum in the 17.3-17.8 GHz and 24.75-25.25 GHz Frequency Bands for Broadcast Satellite-Service Use, FCC 00-212 at ¶ 17 ("The vast majority of commenters agreed with our tentative conclusion that co-frequency sharing between terrestrial fixed service and ubiquitously deployed FSS earth stations in the 18 GHz band is not feasible, and that the public interest would be best served by separating these operations into dedicated sub-bands."). Commenters in the 18 GHz proceeding, including the American Petroleum Institute, Cellular Telecommunications Industry Association and Telecommunications Industry Association, all indicated their general concern with the ability of microwave fixed services and satellite services to operate in the same band. See id. at ¶ 8 n.9.

4. Option 4

The Commission's proposal to retain site-by-site licensing and conduct auctions only in the case of mutual exclusivity (Option 4) is the only option that is clearly consistent and complies with the statutory conditions for competitive bidding under the Balanced Budget Act. Indeed, this option contemplates competitive bidding when there is mutual exclusivity between initial applicants for a site-by-site license – the precise circumstances contemplated under the statute. Further, as the Commission acknowledges, mutual exclusivity above 2 GHz rarely occurs, and as result, it makes sense to conduct auctions or otherwise adjust the licensing process only when mutual exclusivity is present.

To do so now in the absence of mutual exclusivity is only likely to come at great expense and with significant disruptions to vital communications for industries throughout the U.S. Significantly, this option is also a pragmatic solution for introducing auctions in light of the numerous microwave licensees above 2 GHz. It will neither impair the ability of incumbents to expand their operations to new sites nor render their currently operating equipment obsolete.

II. IN ANY DECISION TO AUCTION OR ISSUE GEOGRAPHIC LICENSES, THE COMMISSION SHOULD CONSIDER THE UNIQUE NATURE OF THE GOM

To the extent that the Commission proceeds with auctions and/or changes to the licensing process of the bands above 2 GHz, the Commission should do so while being mindful of the unique nature of the GOM. While the Commission may reach the conclusion that auctions and geographic licensing make sense on land, the same conclusion may not apply in the GOM. Accordingly, consideration should be given to

separating out the GOM in any decision to impose auctions and/or issue geographic licenses in the bands above 2 GHz.

The GOM is harsh unstable working environment in which the industries operating there rely heavily on reliable communications to keep their businesses in operation and to protect their workers. With its significant oil and gas resources, the GOM is a vital economic region of the U.S., and any action which impinges upon the ability of the oil and gas companies to successfully operate there should be evaluated critically by the Commission.¹³ Indeed, the calculus of the benefits in changing the licensing process for microwave licensees in the GOM will not be the same as on land where the disruption of communications, and a corresponding disruption of business operations, may not come at the same high cost.

On the mainland, emerging technologies are expected to provide the public with numerous benefits in the form of enhanced personal access to communications services and increases in productivity. The same cannot be said in the GOM if it is to come at the cost of disrupting microwave communications. In the major consumer markets, such as New York, Chicago or Houston, with millions of individuals, numerous diverse businesses and a widespread demand for wireless

¹³ See "Deep-Water Gulf Finds Surge Despite Low Prices; companies experience exploration success," The Oil Daily (April 21, 1999) ("Low oil prices may be putting a cap on upstream budgets and U.S. drilling activity this year, but one would hardly know that from looking at the deep-water Gulf of Mexico. . . . Major discoveries are running well ahead of last year's pace in the deep water despite lower spending levels – and analysts say results could improve even further. . . .").

telecommunications alternatives, the introduction of emerging technologies may make sense.

The GOM, however, is a different environment with different economics and a different consumer public. Indeed, the driving economic force and "consumer" market in the GOM is the oil and gas industry. Significant investment in microwave technology and the establishment of a wide network of microwave stations has created a reliable system of communications in the GOM that the oil and gas industry uses to further its business and to maintain safety and efficiency. While this industry seeks a wide array of telecommunications alternatives in the GOM, it does not want to jeopardize its core telecommunications operations and as a result, it has not favored an introduction of emerging technologies at the expense of reliable microwave operations. The GOM is a vastly different environment than the U.S. mainland and the Commission's changes, if any, to the licensing above 2 GHz should reflect this fact.

In light of the unique environment, the GOM should also be treated as its own economic area ("EA") to the extent that the Commission decides to impose wide-area geographic licensing in the bands above 2 GHz. The GOM should not be simply incorporated into the EAs of the land-based licensees on the coast of the GOM, but rather, the entire GOM should be treated as one EA. The unique geographic and economic circumstances of the companies operating in the GOM justify the creation of a *license area separate from the U.S. mainland and its coast.*

In addition, the sparse population in the Gulf of Mexico makes it inappropriate to divide the area into multiple service areas for purposes of licensing. Stratos Offshore believes that with a transient industry like oil and gas exploration,

dividing the GOM into two different operating zones would increase transaction costs because industrial customers would need to deal with multiple service providers in order to obtain communications in the entire GOM operating area. This unnecessarily creates inefficiencies that are not in the public interest.

The inefficiencies of creating multiple EAs for microwave operations would also potentially discourage operators from providing services in the GOM. Indeed, dividing the GOM into multiple regions would decrease the service area for a provider, thereby significantly reducing the area of coverage to obtain a return on a provider's investment in infrastructure. Since the installation of telecommunications infrastructure in the GOM greatly exceeds the cost of installation on land, the reduction on the return of that investment may discourage providing service at all in the GOM. Accordingly, the Commission should authorize operation throughout the entire GOM for each above 2 GHz license that it issues.

III. THE COMMISSION SHOULD ALLOW PRIVATE MICROWAVE LICENSEES TO CARRY COMMON CARRIER TRAFFIC

Stratos Offshore supports the Commission's proposal to eliminate its restriction that prohibits private microwave licensees from carrying common carrier traffic.¹⁴ With the capacity of microwave systems increasing with technological advances, the elimination of the Commission's restriction makes sense because it will allow private licensees to utilize all of the capacity on their systems – a result that is in

¹⁴ See Microwave NPRM at ¶ 36.

the public interest since it means that spectral resources are being used to the fullest extent.


IV. CONCLUSION

As set forth above, the Commission should not change the licensing process for the microwave bands above 2 GHz. Mutual exclusivity is not sufficiently prevalent so as to justify auctions and changes to the licensing process. To the extent that the Commission wishes to institute auctions, it should retain the process of site-by-site licensing and conduct auctions only where there is mutual exclusivity for a particular site.

In addition, the Commission should allow POFS to carry common carrier traffic in order to maximize the use of spectral resources.

Respectfully submitted,

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